Beginner’s Guide to Cash Flow Analysis With Real Data

Meta Description: If you can track money coming in and out, you can do a cash flow analysis. This guide shows you how in five easy steps.

Source: [Pexels]

Do you know how much money your business has right now? Not what your reports say. Not what your bank balance shows. We're talking about real cash, coming in and going out.

Cash flow is important for insurance teams handling claims, payouts, and premiums. When you don't know where your money is, you take longer to make decisions. You might hesitate, guess, or make the wrong call.

Poor cash visibility can lead to missed payments, lost money, or unexpected trouble. In short, you take bigger risks without even knowing it.

The good news? You don’t need a finance degree to understand how your money moves. You can do a simple analysis using the numbers you already track.

It’s easier than you think, and it makes a big difference. This guide will show you how to use real data to check your cash flow, spot issues early, and plan with confidence.

What Is Cash Flow Analysis?

Think of cash flow analysis as a way to keep tabs on your money. It helps you understand three simple things:

1. How much money is **coming in**
2. How much money is **going out**
3. **What's left** after everything is added up

Don't confuse it with a profit and loss (P&L) statement, though. A P&L shows money earned and spent, but it can also include things that don't involve actual cash.

Cash flow tracking only focuses on real money—what hits the bank account and when. It helps you see if you're actually making money (or losing it) over time.

Why It Matters for Insurance Companies

Source: Unsplash

For third-party administrators (TPAs), managing general agents (MGAs), and carriers, *timing matters*. **Even if you're making money, you can still run into trouble, especially if cash goes out faster than it comes in.**

Cash flow analysis helps you:

- See if you have enough money for upcoming payouts
- Spot cash flow trends and patterns over time
- Stay in control and avoid unexpected problems
- Plan and decide based on real numbers

5 Steps To Do a Simple Cash Flow Analysis

Understanding cash flow for insurance companies is easier than it sounds. *If you can track your income and expenses, you're already halfway there.*

Here's a simple guide to doing cash flow analysis with real data.

Step 1: Collect Your Data

The first thing you should do is pull together real numbers from your business. You'll want to focus on actual cash movement. This means **money that's come in and gone out during a specific period**, such as the past month or quarter.

What to look for:

- Bank statements
- General ledger (GL) accounts
- Any system that tracks the cash your business receives and pays out

Be sure to leave out unpaid invoices or receivables for now. This step is all about actual cash, not what's owed.

Tip: Using an enterprise resource planning (ERP) or core admin system? Always keep your cash-related accounts clear and updated.

Step 2: Log Your Cash Activity

Once you have your financial data, write down all the money that came in and went out during that period.

Start with your **cash inflows,** or the funds coming into your business. These may refer to premiums received, investment income, and reinsurance reimbursements.

Then, list your **cash outflows**, or the payments going out. These can include claims paid, commissions, vendor payments, or payroll.

You don't need advanced tools or software to do this. Even a basic spreadsheet with two columns—money in and money out—will work fine.

Step 3: Categorize Your Entries

Organize your cash activity into three main categories: operating, investing, and financing. This helps you understand where your money comes from and how your business uses it.

- **Operating Activities**

  These are your everyday business transactions—the cash tied to your core operations. Think premiums collected, claims paid, commissions, and reinsurance activity.

- **Investing Activities**

  These include bigger-picture moves, such as selling off assets. Other common examples are buying equipment and investing in new systems or technology.

- **Financing Activities**

  These are how you fund your business. When you take out a loan, pay it off, or get capital from an investor, it will fall under this category.

Sorting your cash this way isn't only about staying organized. It also **helps you distinguish normal business activity from bigger financial moves.**

Step 4: Do the Net Cash Flow Math

Finding your net cash flow is simple. Add up all the cash that came in during your chosen period. Then, subtract all the cash that went out.

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Total Cash In – Total Cash Out = Net Cash Flow
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Do this for each of the categories mentioned in the previous step. Then, calculate the total to get your net cash flow.

A positive result means you brought in more cash than you spent. But if it's negative, you spent more money than you earned.

Now, a negative cash flow isn't always a bad thing, but it does warrant a closer look. *What could be causing the gap?*

Are you paying out claims faster than you're collecting premiums? Are there seasonal factors putting pressure on your cash? Do you need to adjust your schedule for when certain payments go out?

It's not enough to just know the numbers. You also need to understand what's behind them.

Step 5: Spot the Trends

Look at your cash flow for this period and compare it with previous ones. Are your expenses creeping up? Does your income change with the seasons? Is cash coming in slower than it's going out?

Spotting even small patterns can help you:

- Plan for times when cash might be tight
- Schedule payouts at better times
- Make business decisions with more confidence

Take note that looking for patterns isn't a one-off thing. **You can only get the most of your data when you watch these trends over time.** Regular checks let you catch issues early and work toward a steadier cash flow.

When Things Look Good—But Cash Says Otherwise

Imagine you're a TPA handling health claims for several employer-sponsored plans. Here's what the numbers show in Q1:

Example:

Cash Flow from Operating Activities		**Amount (USD)**
Premiums collected		3,500,000
Claims paid out		(2,600,000)
Administrative costs and commissions		(750,000)
Vendor payments		(150,000)
Net Operating Cash Flow		**0**

Cash Inflows

- *Premiums collected: $3.5M*

Cash Outflows

- *Claims paid: $2.6M*
- *Admin costs and commissions: $750K*
- *Vendor payments (software, third-party services, etc.): $150K*

Now, let's do the math:

$3.5M – ($2.6M + $750K + $150K) = $0

Good news? You didn't lose money. Bad news? You didn't make any either.

If you were only looking at how many policies you processed, you might think Q1 was a win. But here's the truth: **busy doesn't always mean profitable.**

Without a clear view of your cash, it's easy to get the wrong idea about how your business is doing. On the surface, it looks like growth. But in reality, you're only breaking even and barely staying afloat.

That's why cash flow analysis matters.

Improve Cash Flow Visibility by Replacing Manual Tracking

Source: [Unsplash]

Tagging cash entries by hand is the basic way of doing cash flow analysis. You can use spreadsheets as much as you want and chase numbers across emails and exports.

But when money's moving fast, manual tracking won't be able to keep up. Aside from taking a lot of time and effort, it's also prone to errors.

With manual tracking, your team spends hours checking payments or managing batch exports. They would also have to tag line items one by one.

All that work piles up. And it pulls your team away from the work that actually drives growth.

Plus, when they finish the reports, the numbers are often already outdated. Even worse, the insights come too late, such that you can't act on them anymore.

To stay ahead, you need a system that can keep up with your operations. That's where automation comes in.

GL integration, for one, connects your tools and syncs your financial systems. It keeps your general ledger up to date with real cash data.

With tools like this, you spend less time on admin and more time making decisions.

Why Real-Time Cash Flow Tools Are a Game-Changer for Insurance

Manual cash flow tracking might work when things are small. But as claims, premiums, and commissions pile up, it quickly becomes slow and messy.

For TPAs and MGAs, automation changes everything. It makes cash flow easier to track, faster to manage, and more accurate to analyze.

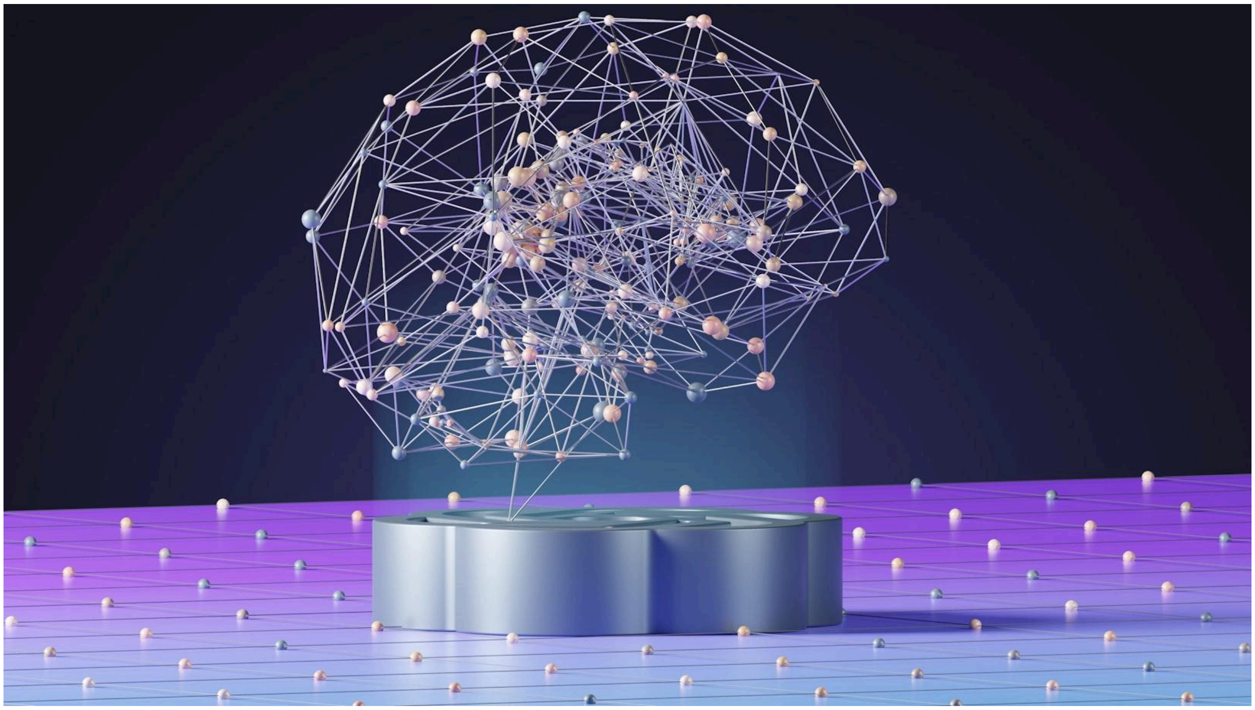
Here's what it can do:

- **Save you hours.** No more spreadsheets or manual tagging. Automation does the work in the background.
- **Cut down on errors.** GL-mapped rules sort your income and expenses into the right buckets. They ensure your data stays clean and correct.
- **Show your cash in real time.** No need to wait for reports. You see your cash position as it changes.
- **Bring everything together.** Pull in claims, premiums, and payouts from different systems into one clear view.

- **Help you move faster.** With real-time data, you can prepare for a spike in claims or a dip in premiums.

Cash flow automation tools help you stay grounded. When you know where your cash stands, you make better calls and move with more confidence.

Better Data, Smarter Decisions



Source: Unsplash

Every day, you make hundreds of decisions that shape your business. You have to make big decisions on when to pay vendors, how to handle a spike in claims, or where to invest next.

But even small decisions can feel risky when you're not sure what's happening with your cash.

Here's the thing: Most of the numbers you need are already in your system. You just have to know how to use them to your advantage.

What's good is that you don't need a complicated setup. All you need is something that doesn't slow your team down or leave you second-guessing.

The answer? *Real-time cash flow visibility.*

It takes the guesswork out of the day-to-day. No more waiting on reports or chasing spreadsheets. Just one clear view of what's coming in, what's going out, and what that means for your next move.

Automation is a simple shift—but it can change the way you run your business. Because when your cash is clear, your decisions feel a whole lot easier.

Want to see how finance automation can give you real-time cash flow visibility? [Book a demo](#) with us today!